

on the health care; we can move on the other job-creating policies; we can move on to welfare reform. And those things together will make a real difference in the economy and a real difference in the outlook for most Americans.

But most folks in this country have had a pretty tough time for 20 years now. And I want to turn it around, but it is not going to happen overnight. And we have to have the courage and the fortitude and the constancy to take on a whole lot of issues and not expect a silver bullet or an easy answer.

Q. Mr. President, I wish we had more time, but thank you very much for being with us.

The President. Thank you, sir—[inaudible]—and thank you, ladies and gentlemen.

NOTE: The interview began at 4:44 p.m. The President spoke via satellite from Room 459 of the Old Executive Office Building. In his remarks, he referred to Lodwick M. Cook, chairman and chief executive officer, ARCO, and David Wilhelm, chairman of the National Democratic Committee. This item was not received in time for publication in the appropriate issue.

Interview With the California Media July 30, 1993

Q. I know you'd like to start out this afternoon with an opening remark, sir.

The President. I would, and thank you very much for allowing me to join you in this way. I hope I'll get back to the Central Valley in person before long. I had some wonderful times there during the election, and I'm glad to have the chance to visit with you directly.

As you know, in the next few days the Congress will take up a final vote on the economic plan, which they have been debating now since February. So far the Congress has moved with great speed in trying to deal with this plan and trying to keep its essential features intact. I want to just review those features today and why I think it's important as a first step in our long-term efforts in redeveloping the American economy and the California economy.

First, the plan will reduce the deficit by very close to \$500 billion, equally divided between spending cuts and revenue increases,

put in a trust fund so that the money cannot legally be spent on anything else but deficit reduction.

Secondly, the plan will ask of the tax increases that 70 percent at least of those come from people with incomes above \$200,000, the top 1.2 percent of our economy, people who got most of the economic gains and a tax cut in the 1980's.

Thirdly, the middle class burden will be quite modest. I wish there didn't have to be any middle class tax, but the deficit has gotten much larger just since the election, and we have to address it now. And that burden will be for a middle class family of four with an income of between \$40,000 and \$60,000, less than \$50 a year. Next, the plan holds working families with incomes of under \$30,000 a year harmless and gives the working poor, those who still live below the poverty line, actual tax relief so that we'll be able to say for the first time, if you work 40 hours a week and you have children in your home, you'd be lifted above the poverty line. This is a profoundly important thing.

And next, and perhaps most important for California, the plan has real incentives for private sector business growth: Incentives that the high-tech community in California wanted very badly for investments in new companies with \$50 million a year or less in capitalization, big cuts for them; an increase in the expensing provision for small business that will give over 90 percent of the small business operations—and farms that qualify, too, I might add—a tax benefit, not a tax increase but a tax benefit when they reinvest in their businesses; next, an increase in the research and development tax credit; and finally, some incentives to invest in areas that are traditionally underdeveloped, both rural and urban areas, to get free enterprise in there to do that job.

So for all these reasons, this economic plan is good for the country, and it's good for California. It is not the end-all and be-all. We have to move on to health care. We have to move on to a trade policy that enables us to sell more of our products and services abroad. We have to move on to welfare reform. We have a crime bill. We have an im-

migration initiative up. All these things are important.

Secretary Babbitt is working with the farmers in your area to resolve some of your water problems. But all these things cannot be brought to fruition completely until we pass an economic plan and a budget and get this country moving again, keep the deficit down, and keep the interest rates down.

Let me finally say that this plan has the support of an enormous number of Republicans and independents who are not politicians and have no stake in misrepresenting the facts. Earlier this week, about 67 business leaders from around the country, including the heads of four energy companies, equally divided pretty much between Republicans and Democrats, endorsed this plan. And one of the people who endorsed it was Lod Cook, the chairman of ARCO, who was a cochairman of President Bush's campaign. So this is not a partisan effort on my part. It's just a tough decision to deal with problems that developed in Washington long before I showed up. And I hope the people of California and the Central Valley will support it.

I'll be glad to answer your questions.

Immigration

Q. Mr. President, you mentioned just a moment ago immigration. I'd like to ask you about that. As you know, we in California are struggling with the problem of immigration, both legal and illegal. One-third of all new arrivals in the United States wind up in California. I know you've asked for additional funds to speed up asylum processing and hearings and also border patrol, but we're wondering if \$172 million in new dollars is enough. Can you offer any specific additional Federal help for California alone to try and deal with the immigration problem?

The President. Well, I'm glad you asked that. Let me, first of all, just reiterate very briefly what you said. We're trying to deal with, in effect, three different problems. We're trying to deal with the problem presented by the fact that our airports are too porous and terrorists or potential terrorists can get in, and we're trying to tighten up all those procedures in foreign airports and here. We're trying to deal with the problem of alien smuggling, which is something Cali-

fornia is familiar with, by tightening the control procedures and also increasing penalties for that. And finally, we're trying to deal with illegal aliens coming into the country generally. We do have more border patrol people coming in, 600 of them. California will get a good number of them. And Senator Feinstein and Senator Boxer were both particularly active in this regard.

The second thing that I want to mention is that before any of this was done, we had changed some Federal laws in this economic plan to give California some more money under existing laws because it has a disproportionate burden of immigrants. So we'll be giving you some more money over and above this to handle the immigrant burden that's already there. That will free up some of your State money for other problems there in California.

I know you've had a lot of terrible budget problems. So we changed the formula by which the Federal Government gives money to the States to deal with immigration, to put more money into California because of your extra problems. And Leon Panetta, who, as you know, used to serve California in the Congress and is now my Budget Director, had a lot to do with that. I hope that will help. I believe it will.

Water Management

Q. Mr. President, I wanted to know—you mentioned a moment ago Secretary Babbitt coming to the Central Valley to talk about water issues. And one of the big water issues for us down here is the Endangered Species Act. What I wanted to know is, is the Act going to be changed at all in the next year or so to allow for economic burdens that are being suffered on the west side of the valley?

The President. Well, let me say first of all, the Act as it's presently written has an economic impact provision, which has not been used very often but which plainly can be used. Secretary Babbitt asked me before we commit to make any changes in that to give him the chance to work out the problems that the farmers had. As you know, we've had a drought for many years and the allocations this year, given the amount of water that's out there since the drought went away, has not satisfied a number of the farm-

ers. And we know there are some other distributional issues. Some of them involve the Endangered Species Act, but Bruce Babbitt believes, anyway, that he can work out a fair treatment for the farmers without an amendment to the Act. And I think I ought to give him a chance to continue to work with the farmers before I commit to change it. So that's the position I'm going to take. I want to wait and see how he does with his negotiations with the farmers first and how they come out.

Crime

Q. Mr. President, we in Los Angeles, of course, have been crippled in terms of quality of life, and also economically, by burgeoning crime and not enough more police to fight it. Our new Mayor, Richard Riordan, was recently in Washington, as was police chief Willie Williams, both of them begging for assistance. Is there anything that your administration can do to help?

The President. Absolutely, there is. We intend to push a crime bill which, along with some other legislation we're pushing, will have the Federal Government help local communities to put up to 100,000 more police officers on the street in this country over the next 4 years.

This summer I got an emergency bill through Congress which will provide funds to Los Angeles and other cities to rehire police officers that have been laid off and otherwise staff up a little bit. It's a down payment on that. As soon as this budget—economic plan—is over in the Senate and in the House, I will be developing a crime bill which will provide more funds to local communities for this purpose. We have got to get some more police officers on the street.

When your new chief was a police chief in Philadelphia, he had some real success in lowering crime rates in very tough neighborhoods by adopting community policing strategies that included people actually walking beats that previously had only been driven. I know this can work. I actually walked down some of those streets that the chief helped to change in Philadelphia, and I talked to the people who live in the houses there. So I know it can make a difference. I saw play yards that had formerly been taken over by

gangs and were unsafe for children now open for basketball for the kids.

We can do this. We're going to have to have more police. I hope that the crime bill will enjoy broad bipartisan support. We can bring it up if we can get this budget business done.

Agricultural Subsidies

Q. Mr. President, what farm policy have you and Secretary Espy outlined or are outlining? And would you consider any reductions or elimination of farm subsidies and irrigation subsidies?

The President. Well, let me say, first of all, if you look at our budget this year, because there are \$250 billion in spending cuts over the previous budget, we have reduced some of the agricultural programs along with everything else. We've cut just about everything, so there is some reduction in agriculture. But I don't think we should do any more until we have an agreement on world trade. That is, I am reluctant to have more unilateral reduction in agricultural programs because I think that hurts our competitive position. If we can reach agreement on a new trade agreement with our competitors in which those nations that subsidize agriculture much more than we do also reduce their subsidies, then I would also support doing something here at home, because I'm convinced that on a level playing field our farmers can compete with anybody in the world.

So my answer to you, sir, would be I'm hoping we can get a new trade agreement by the end of the year which will permit some reduction in agricultural subsidies but only because our competitors will be reducing them even more. Otherwise, I think we'll have to wait 'til we reauthorize the farm bill in 1995 to look at these issues.

I come from a farming State, and I really want to see us maintain our competitive position in agriculture. I had to cut agriculture some this year. I cut everything, but I don't want to cut it so much we are at a competitive disadvantage.

1990 Deficit Reduction Program

Q. Mr. President, I was wondering if you believe that the deficit reduction plan of 1990 was successful in its goal of slashing the

deficit. And if not, how can you assure America that this year's plan will work any better? What are the differences between the two plans?

The President. There are several differences. First of all, the 1990 plan was not completely successful for a couple of reasons, and I'd like to point out what was wrong with it. I'd also like, in fairness, to tell you a couple of good things about it.

The main thing that was wrong with it is that the administration and its supporters in Congress, the people who were in Washington then, made too many claims for it. That is, they said it would reduce the deficit by \$480 billion, and they based that on wildly optimistic revenue growth forecasts. We have based our plan on very conservative revenue forecasts, so that when the recession continued, they didn't get the money they thought they were going to get out of any of the new revenues.

The second problem they had was that health care costs in particular increased at a far more rapid rate than they had projected. We have attempted to deal with that by having some stricter controls on health care costs.

So those are the two things that really got them in trouble. The third thing, of course, was the economy just stayed in a slump for a long time. Now, the one thing they did right that we're also doing, except we're doing it even tougher, is they had some pretty stiff caps on spending programs, domestic spending programs. So there were some greater controls on spending after 1990 than had been the case in the past. I think I ought to give them credit for that, and we're trying to live with those now.

But we think we can do better. This plan you have more specific budget cuts, better controls on health care spending, and more realistic revenue estimates. And you've got all this money being put in the trust fund, and furthermore, another big difference is I will be under the obligation if we miss the deficit reduction target to come in on an annual basis and say, "Hey, we missed it a little. Here's my plan to make sure we make it. Here's where you've got to cut more. Here's what else you have to do." We're going to do that every year.

I think all Americans know it would be hard for any business to estimate for 5 years in advance exactly what will happen, but we haven't had to correct ourselves. Now we're going to do that.

I will say this. Let me say this in my own behalf. A reporter for the Philadelphia Inquirer a couple of weeks ago went around to all the budget experts for big private companies like big private accounting firms, and asked them what they thought of this. And the consensus was that we had a very good chance to meet our deficit reduction targets. The budget analyst for Price Waterhouse, the big accounting firm, said that it was the most honest budget presented to the Congress in more than a decade and that the only thing he thought I was wrong about is he thought we'd actually have more deficit reduction than we're projecting.

So let's hope he's right. We've done our best to be very tough about this.

Health Care

Q. Mr. President, you mentioned the importance of health care in the budget situation as we went through the nineties and into the early nineties we're in now. I'm wondering what specifically we can look forward to as regards to health care reforms within the next 6 to 8 months.

The President. You can look forward to a plan which will, first of all, protect the health care benefits that Americans enjoy now and enable people to move their jobs without losing their health coverage. One real problem we've got now is millions of Americans locked into their jobs because somebody in their family's been sick. So I think you can look forward to ending the job lock. People will be able to move jobs. We'll have a system that will enable people to keep having health care for their families if they lose their jobs through no fault of their own.

If all the plan passes, we will reorganize the insurance markets so that farmers and self-employed people who are in nonfarm jobs will be able to purchase health insurance at lower rates, more generous insurance because they'll be able to purchase it more on terms that people who work for big employers purchase it today.

And we'll also have a system that, if it all goes through, will actually dramatically lower the rate of increase of health care. You know, health care costs have been going up at roughly twice the rate of inflation or 3 times the rate of inflation, and we've got to bring that within inflation plus our population growth. And that will be good for business, good for agriculture, and good for individual Americans. So those are the main things we're going to try to do. I think we'll be able to do it. It's very, very important.

Let me say that if you look at the American budget now, the only thing that's really going up a lot in the Government's budget is health care costs for Medicare and Medicaid. The only way we can take this deficit from where it is now down to zero, which is where I want it, is to do something to control health care costs. This plan will lower it for 4 or 5 years, after which it starts to go up again, unless you control health care costs. That is the thing that is strangling the American economy long-term. And I believe we can do better. That's what the health care plan is designed to do. And as soon as the economic plan is over, we'll be able to begin a great national discussion about that.

Jobs

Q. Mr. President, Governor Wilson predicts that in the next 2 years this State is going to—rather, in the next 5 years, this State is going to lose 2 million jobs. Your economic plan is boasting 1.9 million jobs, yet we're seeing an exodus of manufacturing jobs from the Central Valley. What is your plan proposing to do to try to keep some of these companies from leaving not only the State but the country and taking jobs elsewhere? And what's also being done in your plan to put more Californians to work?

The President. Let me talk about manufacturing specifically, if I might, about what we can do and what you have to do. And I'd like to establish my credentials. I was Governor of Arkansas for 12 years. When I became Governor of my State, we had an unemployment rate nearly 3 percentage points above the national average; we were losing manufacturing jobs rapidly, plants closing down like crazy. And we devised a plan to retrain our work force and to make

our State more attractive to manufacturing. At a time when they said we were going to lose manufacturing jobs, we didn't even need to try that. We were able to increase the percentage of our work force involved in manufacturing.

For the last 4 or 5 years we were among the Nation's leaders in job growth. In 1992 we ranked first or second in every month. And now the State has an unemployment rate of about 5.2 percent. It took about 8 years to do that. But we did it, and it worked. So you can increase your manufacturing base. Now, what does the United States have to do to help California do that? I think in your case, three things. Number one, we've got to do something to help you with all these people who have been laid off or lost their jobs because of defense cutbacks. We started defense cuts in America in 1987. I wasn't in Washington when it started, but it was unconscionable to start cutting all these contracts with no plans for conversion to help companies, to help individuals, to help communities to maintain a manufacturing base in nondefense areas. We have an aggressive defense conversion plan that, if it's done right, will be greatly beneficial to California. We have already begun working on that.

Number two, our economic program has some significant incentives to promote manufacturing: incentives for bigger companies to invest in new plant and equipment, incentives to start and capitalize smaller manufacturing operations.

The third thing we're doing is finding new markets for American manufacturing. When I was in Tokyo recently, the world's seven industrial powers agreed to lower or eliminate tariffs in a sweeping fashion, more than has been done in years and years. And every independent analysis says that if we can get all the countries of the world that are in our trading group, the General Agreement on Tariffs and Trade, to accept this by the end of the year, it will put hundreds of thousands of manufacturing jobs back into the American economy in the next few years.

Now, if we do all that, that will help California. California also has to examine its situation. Why would someone close a plant down in California and move it to another State? What do you have to do to make the

State more attractive? There are some things we can do on that. Our apprenticeship programs, our worker training programs will help California. Our health care cost control programs may help you not only with health care but with the enormous cost of worker's comp out there.

But a lot of these decisions need to be asked and answered in California. If California is losing manufacturing jobs to other States, you need to think through what changes can be made there to make you more competitive.

Small Business

Q. Mr. President, you said that your economic plan will provide most small businesses with a tax break. Won't these breaks be offset and surpassed by what you're going to ask small business to pay to support your new health care plan, and what kinds of increases can small business expect?

The President. No, well, let me answer—the short answer is no. Seventy percent of the small businesses in this country are providing some health coverage for their employees. Many of them may wind up with lower costs because of the insurance reforms that we'll recommend. Many of them are paying way too much for limited coverage.

For those who provide no coverage at all, I think there will be some requirement that they make a contribution to the coverage of their employees and that the employees provide a contribution, too. But the burden is likely to be far more modest than anything I've been reading about. I've not signed off on all the final provisions yet, but we're really working hard to make sure anything we do is phased in and the burden is kept as light as possible on small businesses to help them maintain their ability to generate jobs.

But let me just point out to you that everybody in this country can eventually get some health care, even if they have no health insurance. But if they don't have any health insurance, they often get it when it's too late and too expensive and when it's paid for by someone else. We are the only advanced nation that does not have some system by which all people are covered for health care. Most countries require some contribution by employers and employees across the board. We

are also the only advanced nation in the world that spends more than 10 percent of its income on health care. We spend over 14 percent of our income on health care. Only one other nation, Canada, is over nine. Our major competitor, Germany, is just over 8 percent of their income. That means of every dollar made by anybody in this country, we're putting 6 cents more into health care. That is a phenomenal amount of money that might be reinvested to create manufacturing jobs, to strengthen agriculture, to strengthen small business.

So I believe the small business community as a whole will be dramatically strengthened by this, and I'm going to do everything I can to minimize the burden on those that presently offer nothing to their employees. But it is not responsible for those who offer nothing to ask everybody else to pay for the hospitals, the clinics, the infrastructure of health care that they then get to take advantage of when they need it.

California Recovery

Q. Mr President, you talk about economic growth by creating new jobs in California. And we're seeing, like we said earlier, we're seeing a lot of jobs leaving the State. But from where you stand and from some of the things you pointed out, do you see a turnaround at all for California in the next year?

The President. I do for a couple of reasons. I think there will be a turnaround. I don't want to pretend that this is going to be an easy, quick miracle. I think there are some things that are going to have to be done to preserve your manufacturing base. I already said that.

But I think the likelihood is good that California will turn around for a couple of reasons. First of all, you have enormous human and physical resources. That is, a lot of these people who have lost their jobs are very well-trained, very well-educated people, are highly productive workers, even if they don't have a lot of formal education. And have a huge infrastructure that can be revitalized, that was built up in part by defense developments in the 1980's.

Secondly, more than any other State involving trade, California's tied not only south of our border but also to the Pacific, and the

Pacific is the area of the world most likely to revitalize its economy quickest. One of the things that's hurting you in California is that it's hard to make a lot of money off manufacturing and service jobs tied to trade when Japan's in a recession, when Europe's in a recession. For the last 5 years, more than half of our new jobs in America have been tied to trade. And if everything is flat everywhere else, it's hard for us to grow when they're not. It is more likely that the Pacific will grow more quickly and come out of this recession more quickly than the rest of the world. And that will disproportionately benefit California.

So for all those reasons, I think there'll be some turnaround by next year. But I don't want to kid you. The California economy was built up over the last 20 years, with some things that will carry you right into the next century and other things, like the defense base, which have to be refigured if you're going to have those folks doing well and making a contribution to your economy.

So we're going to have to make some changes. We can do it. But the intrinsic health of the California economy, I think, is still there.

One last point about that. We're also going to have to make an extra effort to help the areas that have been really hurt by base closings. The Bay Area, for example, which took a big hit, I think that they'll wind up net economic winners because of the enormous resources there.

But we're going to have to plan to do that. And we're going to have to have incentives to invest in places like the distressed areas of Los Angeles to bring free enterprise in there. And I've offered a dramatic plan to create those kinds of enterprise zones. I call them empowerment zones. It goes far beyond what previous administrations have recommended. That plan is working its way through Congress, and I think that will help.

Job Creation

Q. To go back to jobs, you're promising 8 million jobs nationwide and about 1.9 million in California. Smaller citywide programs like Build in Baltimore cost millions and failed miserably, creating low-paying temp jobs with no benefits. How is your plan going

to succeed? What kind of jobs are going to be created? And do you have a timetable for the job creation?

The President. Most of the jobs that we believe, based on our economic analysis, will be created are private sector jobs that will be full-time jobs. The private sector has got to be the engine of economic growth. If you look at this economic plan, we do invest some more money in partnerships for new technologies and in defense conversion and to help companies train their workers. But most of the new jobs are going to be created by the private sector. We want to invest in more jobs, in infrastructure building, road-building, and things of that kind.

But the great vast bulk of these jobs will be private sector jobs. Let me just give you some examples of how they'll be created. First of all, to keep interest rates down, you'll create more jobs. Secondly, this plan provides economic incentives for people to invest in new plant and equipment, for people to invest more in their small businesses, for people to do more research and development. All those things are directly related to job development. If you have more investment in the private sector, you will have more job development. So I see this as a private sector job initiative.

And exactly on what timetable these jobs will be created depends on the general recovery not only of the American economy but of the global economy. The one thing that could prevent us from meeting this goal is if the other countries of the world don't join us in a new trade agreement and pursue foolish economic policies and collapse their own economies. In order to grow the American economy, we need a growing world economy. But I think we're going to have some good success in coordinating our economic policies to generate more jobs.

Let me just say this. In spite of all the fits and starts in the economy since the beginning of the year, through the first 6 months, we've had about 900,000 new jobs created, over 90 percent of them private sector jobs. And I hope that we can accelerate that pace in the months and years ahead. I think we can if we can get this economic plan passed and put the health care plan out and, to respond to one of the earlier questions,

to allay the fears of some of the people in the business community about the health care plan so they can see it will be good for business, not bad for business. Then I think you'll see a lot more investment coming out of the lower interest rates.

But most of this job growth is going to have to come in the private sector. The Government can't do it.

Q. Thank you, Mr. President. We've flat run out of time. We were going to try and squeeze in another couple of questions, but I guess we can't do it.

The President. I'll stay if you can.

Q. Well, hey, we'll stay. We'll stay all night. No satellite. We lost the satellite.

The President. They say we're going to lose the satellite. I'm sorry.

NOTE: The interview began at 5:20 p.m. The President spoke via satellite from Room 459 of the Old Executive Office Building. This item was not received in time for publication in the appropriate issue.

Remarks on the Economic Program July 31, 1993

Good morning, and welcome to the Rose Garden.

My fellow Americans, 5 months ago when I addressed the Congress in my State of the Union Address, I pledged to the American people that I would do my best to change the way Washington works; to revive our economy by reducing our deficit; cutting spending; reversing trickle-down economics and asking the wealthiest Americans to pay their fair share of our tax burden; increasing incentives to business to create new jobs; helping the working poor to stay out of welfare and stay in the work force; and renewing the skills and productivity of our workers, our students, and our children. I presented to Congress an economic plan designed to achieve those objectives.

Now the Members of both Houses of Congress are close to deciding on a final version of an economic growth plan that meets these objectives. The plan will contain the largest deficit reduction plan in our Nation's history, about \$500 billion, with nearly a quarter of a trillion dollars in real and enforceable

spending cuts. The plan creates a trust fund in which all the spending cuts and all the tax increases are placed and dedicated by law for 5 years only to reducing our Nation's debt. Every new dollar of taxes will be matched by a dollar of spending cuts. And now, thanks to the efforts of the last few weeks, 80 percent of the new taxes will come from individuals earning over \$200,000 a year, the top 1.2 percent of our income bracket, people who got most of the economic benefits of the 1980's and, unlike most Americans, also received tax cuts in that decade. No working family earning less than \$180,000 will pay a penny more in income taxes. That will be a real change from the trickle-down economics of the past dozen years.

Average families, that is, people with family incomes above \$30,000 and below \$180,000, will be asked to pay but one tax, less than a dime a day, or about now \$33 a year, in an energy tax devoted entirely to reducing our deficit. I believe that is a modest and fair price to pay for the change we seek and the progress it will bring. I pledged always in the beginning of this program to seek the least possible burden on middle income taxpayers, and I believe this is the least possible burden we can have and still achieve meaningful deficit reduction.

Because we need the private sector to grow, we also recommended investing in the job creating capacity of American business and in the education and skills of our people. This plan offers 90 percent of the small businesses in the United States of America the chance to actually reduce their tax burden if, but only if, they invest more in their businesses to strengthen their businesses and their capacity to hire new people. The plan offers new incentives, especially to high-tech, high-growth companies, to invest more in research and development. It offers incentives to larger companies to invest more in new plant and equipment. It gives a groundbreaking new incentive to people of all kinds to invest in new companies to help them grow the economy. A significant percentage of new American jobs come from the creation and expansion of new enterprises. And